

**Bills Committee on
Construction Industry Levy (Miscellaneous Amendments) Bill 2003**

**Administration's Responses to
Suggestions raised by the Bills Committee**

Purpose

This paper sets out the Administration's responses to a number of issues raised by the Bills Committee at its meeting held on 18 July 2003.

Background

2. At the meeting, Members requested the Administration to:
 - (a) review the appropriateness of the Chinese term “建造工程” in light of the proposal to change the English term from “construction works” to “construction operations”;
 - (b) specify that one of the members referred to in the proposed new section 7(1)(j) of the Industrial Training (Construction Industry) Ordinance (ITCIO) be a representative of an E&M trade union in the construction industry;
 - (c) clarify the capacity of the “official” of a trade union referred to in section 7(1)(g) of ITCIO and consider the need for any amendment; and
 - (d) explain how the existing leviable threshold of \$1,000,000 was determined and consider the need for any revision.

The Chinese term for “construction operations”

3. The Construction Industry Levy (Miscellaneous Amendments) Bill 2003 (the Bill) proposes to replace the term “construction works” under ITCIO and the Pneumoconiosis Ordinance (PCO) with “construction operations”, while the Chinese term for “construction operations” remains as “建造工程”.

A Member enquired whether correspondingly there is a need to introduce a new Chinese term to better reflect the meaning of “construction operations”.

4. At present, the Chinese term (“建造工程”) in the Ordinances carries the meaning of “actual basic construction items” (具體的基本建設項目)¹ which broadly corresponds to the scope of the leviable activities as defined in the new English term “construction operations”. In response to the Member’s enquiry, we have attempted to identify other more suitable Chinese terms as alternatives. These include the terms “建造作業” and “建造工作”. We consulted the industry representatives and CITA. The general view was that the term “建造工程” is preferred because it is easier to understand and more commonly used in the construction industry. On this basis, we do not propose any amendment to the Chinese term.

The Constitution of the Construction Industry Training Authority (CITA) Board

A representative from E&M sector

5. Members suggested that consideration should be given to specifying one of the members under the newly proposed section 7(1)(j) a representative of an E&M trade union in the construction industry. We have consulted the CITA Board, the Hong Kong Construction Association (HKCA) and the Hong Kong Electrical and Mechanical Contractors' Association (HKEMCA) and they do not have objection in principle to the suggestion. We therefore propose to make a committee stage amendment to implement such proposal.

A workers’ representative who holds office as an official of the trade union

6. A Member questioned whether it was appropriate to stipulate that the workers’ representative in CITA as provided in section 7(1)(g) of ITCIO should hold an office in a trade union and be an official “employed” by the trade union. The Member held the view that not all trade union officials possess construction industry experience. He proposed that the section be amended so that a construction workers’ representative instead of a trade union official be

¹ According to the Chinese Dictionary 《辭海》 (上海辭書出版社出版).

appointed.

7. We have considered the Member's proposal on section 7(1)(g). As the trade unions represent workers in the construction industry, officials of the unions are in the best position to speak for the interest of workers. From a practical point of view, it would be difficult to identify an alternative way of selecting a suitable candidate to speak on behalf of construction workers. Accordingly, we do not consider that there is a need for amendment to this section.

The Threshold for Charging the Levy

8. A Member enquired whether the existing threshold of \$1,000,000 was reasonable having regard to the price movement of construction contracts over the years. He also wished to know how the existing threshold was determined. According to our record, the existing threshold of \$1,000,000 in ITCIO and PCO was increased from \$250,000 on 1 June 1985. The revised threshold was recommended by the Pneumoconiosis Compensation Fund Board (PCFB) and accepted by the Government. At that time, PCFB had assessed that the setting of the threshold at \$1,000,000 would only reduce the annual levy income by two per cent. However, the adjustment would reduce considerable efforts and costs spent by both the Board and contractors in processing the assessment documents. It was considered that such an adjustment would bring about an overall improvement in efficiency while the loss of levy income would be minimal. CITA was informed of PCFB's recommendation and supported, for the same reasons, a similar adjustment to the levy threshold set under ITCIO.

9. We have sought views from CITA on the reasonableness of the existing threshold of \$1,000,000 and have considered whether there is a need to downwardly revise the threshold. We have come to the view that the existing threshold should be maintained for the following reasons –

- (a) the existing threshold has been in use for many years and is well understood by the industry. If it is linked to the price level, it would be subjected to frequent changes and this may cause confusion;

- (b) the lowering of the threshold would generate limited gain. On the other hand, CITA, the authorised persons and the contractors would need to incur additional administrative expenses in processing extra assessment documents under such an adjustment. According to CITA, the processing cost for the Authority on each leviable contract is about \$1,500. Overall the downward adjustment of the threshold is not considered to be cost effective; and
- (c) we have consulted representatives of CITA, HKCA and HKEMCA who favoured the maintenance of the existing threshold.

Education and Manpower Bureau
October 2003